

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO
RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO,
et al.,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

**STATUS REPORT OF THE PUERTO RICO FISCAL AGENCY AND FINANCIAL
ADVISORY AUTHORITY REGARDING THE GOVERNMENT OF PUERTO RICO'S
RECENT ACTIVITIES AND RESPONSE TO THE ONGOING COVID-19 PANDEMIC**

To the Honorable United States District Judge Laura Taylor Swain:

The Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), through its undersigned counsel, hereby submits this status report on behalf of the Government of the Commonwealth of Puerto Rico (the "Government") in response to the Court's Order Regarding Procedures for the October 28-29, 2020 Omnibus Hearing [ECF No. 14619] and states as follows:

PRELIMINARY STATEMENT

Puerto Rico, along with the rest of the world, continues to face the unprecedented challenge and the devastating impact caused by the outbreak of COVID-19. Cases of COVID-19 continue to

¹ The Debtors in these Title III cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17-BK-3283 (LTS)) (Last Four Digits of Federal Tax ID: 3481), (ii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566(LTS)) (Last Four Digits of Federal Tax ID: 9686), (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567 (LTS)) (Last Four Digits of Federal Tax ID: 3808), and (iv) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284 (LTS)) (Last Four Digits of Federal Tax ID: 8474); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-4780 (LTS)) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5233-LTS) (Last Four Digits of Federal Tax ID: 3801).

increase worldwide. As of October 27, 2020, there have been more than 43 million confirmed COVID-19 cases globally and over 1.1 million people have died.² The United States alone has reported over 8.7 million COVID-19 cases, including more than 225,000 deaths. *Id.* Of this amount, Puerto Rico has reported 63,135 cases and 804 deaths.³

As part of AAFAF's *Status Report of the Puerto Rico Fiscal Agency and Financial Advisory Authority Regarding the Government of Puerto Rico's Recent Activities in Response to the Ongoing Covid-19 Pandemic* [ECF No. 13870] (the "September Status Report"), AAFAF detailed and provided an update on the Government's response and measures taken in relation to the ongoing COVID-19 pandemic. AAFAF will focus this report on material changes since September 15, 2020 relating to the Government's response.

As detailed in the previous reports, the Government's top priority continues to be addressing the significant challenge in safeguarding public health and safety, ensuring the provision of public services (including health services, rising unemployment, and economic distress), and coordinating measures to stimulate economic activity. The Government also continues addressing the negative economic impact of COVID-19.

On October 5, 2020, the Economic Development Bank published the Economic Development Bank-Economic Activity Index, an indicator of general economic activity in Puerto Rico, showing a decrease of 7.6% on a year-over-year basis, but also reflecting an increase of 1.7% when compared with the month of July 2020.⁴ With respect to unemployment, Puerto Rico had approximately 1,226 new unemployment claims for the week ending October 10, 2020, bringing the total new unemployment claims in Puerto Rico to over 378,000, since the week ending March

² See <https://coronavirus.jhu.edu/map.html>

³ See <https://coronavirus.jhu.edu/region/us/puerto-rico>

⁴ See <https://www.bde.pr.gov/BdeSite/PREDDOCS/EDB-EAI.pdf>

21, 2020.⁵ In addition, Puerto Rico has lost approximately 65,800 non-farm payroll jobs since the pandemic started.⁶ Airport traffic, while continuing to improve, was down 47% in September 2020 versus September 2019.

The Government has continued to focus its efforts on developing and implementing additional measures to address these economic challenges and reopen commercial and recreational activities in a controlled manner. As detailed below, the Government continues its phased and measured approach at reopening the economy. The Government has also announced a voucher of \$400 to public school students and teachers, to provide a subsidy for the equipment and connectivity needed for online learning, and an additional weekly payment of \$300 in unemployment benefits.

Although the full extent of the financial and economic impact of COVID-19 on Puerto Rico remains uncertain, it is clear that the Government faces a significant challenge. Addressing this unprecedented economic, social and health challenge is the Government's top priority. To this end, the Government continues to take aggressive measures to combat the virus, protect the people of Puerto Rico, and address the economic impact of the virus.

I. The Governor's Executive Orders – Reopening the Economy and Controlling COVID-19⁷

1. As detailed in the previous reports, Governor Wanda Vázquez Garced (the "Governor") has issued a series of executive orders aimed at a controlled reopening of economic activity in Puerto Rico, while safeguarding the health of Puerto Rico's residents. The executive

⁵ See Puerto Rico Department of Labor, <https://www.dol.gov/ui/data.pdf>.

⁶ See, U.S. BUREAU OF LABOR STATISTICS - NEW YORK-NEW JERSEY INFORMATION OFFICE, GEOGRAPHIC INFORMATION: PUERTO RICO, https://www.bls.gov/regions/new-york-new-jersey/puerto_rico.htm (last visited October 26, 2020).

⁷ Defined terms not otherwise defined herein, shall have the same meaning given to them in the September Status Report.

orders and the public and private sectors cooperation in implementing risk mitigation measures have helped to control the spread of the virus. Currently, the data shows that hospital capacity remains at manageable levels.

2. Since the last report, the Governor has continued to work closely with various sectors in monitoring the infection rate and in developing and implementing measures that allow for the gradual reopening of Puerto Rico's economy, while minimizing the risk of the spread of the COVID-19 virus in the island. As part of those efforts, the Governor determined to continue with the measures and restrictions set forth in Executive Order 66, with several minor modifications, in order to avoid a surge in cases and continue with the gradual reopening of the economy.

3. To that end, on October 16, 2020, the Governor signed Executive Order 2020-077 ("Executive Order 77") which extended the mandatory curfew until November 13, 2020, and eased certain restrictions imposed by Executive Order 66 in order to promote economic activity. Among the notable changes are the following:

- Shopping malls, retail establishments, auto dealers, restaurant dining rooms, cafeterias and museums are allowed to operate without exceeding their 55% maximum capacity and following safety guidelines.
- Movie theaters, gymnasiums, casinos and residential complex pools are allowed to operate without exceeding their 30% maximum capacity and following safety guidelines.
- Common areas of hotels, such as pools, are also allowed to operate without exceeding 30% maximum capacity and following safety guidelines.
- Starting October 26, 2020, collective transportation services will be reinstated, including the Puerto Rico Metropolitan Bus Authority buses and the Tren Urbano.

4. To continue to control the spread of COVID-19 and mass gatherings, Executive Order 77 maintains several restrictions set forth in Executive Order 66. Among these restrictions are:

- Bars, nightclubs, and other similar establishments which engage primarily in the sale of alcoholic beverages for consumption must remain closed.
- Private and public schools must continue with distance learning.
- Beaches and rivers are opened but mass gatherings are strictly prohibited
- Caravans, parades and similar mass gathering activities are prohibited.

II. Update on Funding Related to COVID-19 and Disaster Relief Funds

A. Federal Funding Under the Coronavirus Relief Fund

5. With regards to the CARES and Coronavirus Relief Fund funding detailed in the September Status Report, as of October 16, 2020, the Government has disbursed approximately \$986 million of the \$2.2 billion it has received. AAFAF has published a report detailing the use of these funds and the disbursements made as of October 16, 2020, and the report is available at <https://www.aafaf.pr.gov/wp-content/uploads/crf-strat-disbmt-plan-fund-rep-10-16-2020.pdf>.

B. Update on Disbursements Under the Emergency Measure Support Package

6. With regards to the COVID-19 Emergency Measure Support Package detailed in the September Status Report, as of October 16, 2020, the Government had disbursed \$444.3 million dollars out of the \$787 million approved in the package. AAFAF has published a report detailing the use of these funds and the disbursements made during the current fiscal year, and the report is available at <https://aafaf.pr.gov/wp-content/uploads/covid-19-emer-meas-sup-pack-rep-10-16-2020.pdf>.

C. Update on Disaster Relief Funds ⁸

7. The Government continues to coordinate relief and funding efforts to address the natural disasters that have affected Puerto Rico in recent years, including the continued recovery following Hurricanes Irma and Maria and the earthquakes that impacted (and continue to impact) the southern and southwestern part of Puerto Rico.

8. On September 18, 2020, the Federal Emergency Management Administration (“FEMA”) approved almost \$13 billion for the restoration of Puerto Rico’s electrical grid and education system. This is the largest single infrastructure grant ever awarded in FEMA history. Of this amount, \$9.6 billion was awarded for the replacement and repairment of transmission and distribution lines, electrical substations, power generation systems, office buildings, and other grid improvements, and \$2 billion for the restoration of school buildings and educational facilities.⁹

9. Since the September Report, FEMA has obligated over \$238 million to the Puerto Rico Electric Power Authority for costs related to 28 generator units that provide power to critical facilities until the Costa Sur units are back in service. Costa Sur is the largest of four power plants on the island which suffered extensive structural damages from the earthquakes during January 2020.¹⁰ During September, FEMA also obligated over \$149 million in additional funds for over 145 projects, including projects to repair several campuses of the University of Puerto Rico, municipal roads and bridges, and sport facilities.¹¹

⁸ The data and information provided herein has been obtained by AAFAF directly from the Central Office of Recovery, Reconstruction and Resiliency (COR3).

⁹ <https://www.whitehouse.gov/briefings-statements/statement-press-secretary-largest-fema-infrastructure-grants-awarded-puerto-rico/>

¹⁰ <https://recovery.pr/en/press-releases/160>

¹¹ <https://recovery.pr/en/press-releases/151>; <https://recovery.pr/en/press-releases/153>; and <https://recovery.pr/en/press-releases/156>.

10. Further, on October 5, 2020, the Legislative Assembly approved a bill that authorizes a \$750 million revolving credit facility to allow the Department of Treasury to advance financing for public works against FEMA reimbursements.

11. In sum, as of October 20, 2020, approximately \$61.9 billion has been appropriated by the U.S. Congress to Puerto Rico for disaster relief and recovery efforts. Of this amount, approximately \$37.5 billion has been committed by federal agencies for distribution and \$16.9 billion has been disbursed. Of the amounts obligated and disbursed, FEMA has approved approximately \$29.7 billion and disbursed approximately \$14 billion of the total amounts detailed above. The use of these funds is detailed by the Government in the COR3 website and can be accessed at: <https://recovery.pr/en>.

D. Other Federal Funds Related to COVID 19

12. On October 7, 2020, FEMA approved a grant under the “Lost Wages Assistance Program” which will allow the Government to provide \$300 per week - in addition to the regular unemployment benefits – to those unemployed due to the COVID 19-pandemic.¹² The program establishes a maximum time period of six weeks for these benefits. Individuals who are eligible will receive three-weeks of retroactive pay to August 1, 2020, that is, \$900, with the remaining three weeks subject to FEMA’s approval. To make the payment for the first three weeks, FEMA authorized an initial disbursement of \$339 million.

¹² <https://www.fortaleza.pr.gov/content/gobernadora-wanda-v-zquez-garced-anuncia-la-aprobaci-n-de-sobre-300-millones-para-desempleo>; and <https://www.fema.gov/press-release/20201007/fema-announces-lost-wages-grant-puerto-rico>.

III. Additional Specific Efforts to Combat the COVID-19 Pandemic¹³

A. Department of Health

13. The Department of Health continues to focus its efforts on tracking and combating the COVID-19 crisis. As detailed in the previous reports, the Department of Health maintains a “dashboard”, through which it provides daily updates on the COVID-19 crisis.¹⁴ As of October 27, 2020:

- Puerto Rico had 32,461 confirmed cases, 31,036 probable cases, and 808 deaths.
- Over 369,000 serological and molecular COVID-19 tests have been performed.¹⁵
- 1,248 ventilators are in stock and available to be used in Puerto Rico, of which 366 are in use at this time. Of these, 30 are pediatric ventilators.
- 395 patients are currently hospitalized due to COVID-19 of which 59 are in intensive care, and 38 are using ventilators.
- 3,838 adult beds and 478 pediatric beds are currently in use out of a total 6,756 and 1,380 hospital beds, respectively.

B. Department of Education

14. As detailed above, Puerto Rico’s public and private schools will continue with distance learning under the existing Executive Order. The Department of Education’s (the “Department”) top priority continues to be improving distance learning and providing students with materials to ensure that all students have and continue to have access to distance learning. Moreover, the Department continues to evaluate and implement other programs and aids to assist students and the Department’s staff.

¹³ The data and information provided herein has been obtained by AAFAF directly from the Department of Health and the Department of Education.

¹⁴ <https://bioseguridad.maps.arcgis.com/apps/opsdashboard/index.html#/3bfb64c9a91944bc8c41edd8ff27e6df>.

¹⁵ <https://coronavirus.jhu.edu/region/us/puerto-rico>

15. On October 19, 2020, the Governor announced the allocation of \$90 million of CARES Act funds to subsidize the cost of internet service for public-school students and teachers. As part of the aid, the Government will award a \$400 voucher for each student and other eligible personnel of the Department, which will be available the entire school year until May 31, 2021. Over 270,000 students are eligible for the voucher, as well as more than 26,000 employees of the Department, including teachers, school directors, social workers and counselors, among others. The subsidy may be used to cover internet subscription costs, acquisition or rental costs of hardware required for internet connection, internet service installation costs and related taxes.

IV. Bond Refunding Transactions

16. On September 29, 2020, AAFAF announced that Puerto Rico was successful in accessing the capital markets after the Housing Financing Authority (“HFA”) and the Public Housing Administration (“PHA”) refinanced existing HFA bonds, through the issuance of \$249.6 million in refunding bonds of the Capital Fund Modernization Program (“Refunding Bonds”). The transaction generates approximately \$43 million in debt service savings and reduces the total debt existing prior to the transaction from \$300.5 million to \$249.6 million using funds deposited in accounts of the refunded bonds and proceeds from new bonds sold at premiums.

17. On October 8, 2020, AAFAF and the Puerto Rico Aqueduct and Sewer Authority (the “PRASA”) also announced that they are evaluating a potential issuance by PRASA of Revenue Refunding Bonds, 2020 Series A (Senior Lien) (the “Bonds”), among other things, to refund and defease all or a portion of PRASA’s outstanding Revenue Bonds, Series A and Series B (Senior Lien), each dated March 18, 2008 and Series 2012A and Series 2012B (Senior Lien), dated February 29, 2012 (the “Proposed Transaction”). Pricing will be accomplished through a syndicate led by Barclays Capital, Inc. The size, timing and structure of the Proposed Transaction

are subject to, among other things (i) approval by (A) the respective Boards of Directors of PRASA and AAFAF and (B) the Oversight Board under Section 207 of PROMESA, (ii) market conditions, and (iii) other factors within AAFAF and PRASA's discretion. AAFAF is actively overseeing the ongoing process for the Proposed Transaction. There is no guarantee that the Proposed Transaction will be consummated, that any particular outstanding bonds or other obligations of the Authority will be redeemed or otherwise defeased, or that all or a portion of the Bonds will be offered, sold or issued.

V. Upcoming Gubernatorial Elections

18. On November 3, 2020, general elections will be held in Puerto Rico in which voters will elect the next Governor of Puerto Rico, the Resident Commissioner, members of the Senate and House of Representatives, mayors and municipal assembly representatives. To ensure a smooth transition, all government agencies and public corporations are preparing and updating detailed transition reports which will be available to the new administration, as required by Act 197-2002.

19. AAFAF is committed to work cooperatively with the new administration to ensure a smooth transition and that the next governor takes office with a meaningful and substantive understanding of the Title III proceedings, the status of creditors' negotiations, certified fiscal plans, and other relevant matters.

(signature page follows)

Dated: October 27, 2020
San Juan, Puerto Rico

Respectfully submitted,

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